

Message Text

PAGE 01 STATE 095180

62

ORIGIN EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01

OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 TAR-01 SSO-00

NSCE-00 USIE-00 PA-01 PRS-01 IO-10 NEA-09 OPIC-03

LAB-04 SIL-01 INRE-00 /123 R

DRAFTED BY EB:ORF:FSE:SWBOSWORTH:LER

APPROVED BY EB/ORF/FSE - MR. BOSWORTH

----- 035457

O 242226Z APR 75

FM SECSTATE WASHDC

TO USMISSION OECD PARIS IMMEDIATE

AMEMBASSY BONN IMMEDIATE

AMEMBASSY ROME IMMEDIATE

AMEMBASSY BERN IMMEDIATE

AMEMBASSY STOCKHOLM IMMEDIATE

AMEMBASSY COPENHAGEN IMMEDIATE

AMEMBASSY DUBLIN IMMEDIATE

AMEMBASSY LUXEMBOURG IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY THE HAGUE IMMEDIATE

AMEMBASSY BRUSSELS IMMEDIATE

AMEMBASSY OTTAWA IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

AMEMBASSY VIENNA IMMEDIATE

AMEMBASSY MADRID IMMEDIATE

AMEMBASSY ANKARA IMMEDIATE

AMEMBASSY WELLINGTON IMMEDIATE

AMEMBASSY OSLO IMMEDIATE

LIMITED OFFICIAL USE STATE 095180

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 095180

E.O. 11652:

TAGS:ENRG

SUBJECT:IEA LONG-TERM COOPERATION: STANDING GROUP ON
LONG TERM - MEETING APRIL 28 AND 30.

1. FOR US MISSION OECD: PLEASE PASS FOLLOWING TEXT TO
IEA SECRETARIAT KELLY.

2. FOR IEA POSTS: PLEASE PASS TEXT TO HOST GOVERNMENT
OFFICIALS CONCERNED WITH APRIL 28 AND 30 MEETING OF IEA
STANDING GROUP ON LONG-TERM COOPERATION. IT IS NOTE
PREPARED BY SLT CHAIRMAN (BOSWORTH) DESIGNED TO FACILITATE
SLT WORK AN ELABORATION OF MARCH 20 IEA GOVERNING BOARD
DECISION ON ACCELERATED DEVELOPMENT OF ALTERNATIVE SOURCES
OF ENERGY.

BEGIN TEXT:

THE FOLLOWING IS A SYNTHESIS OF THE ISSUES ADDRESSED IN
THE WORKING PAPERS WHICH HAVE BEEN PREPARED BY THE
SECRETARIAT AND VARIOUS DELEGATIONS IN CONNECTION WITH
THE SLT'S ELABORATION OF THE GOVERNING BOARD DECISION OF
MARCH 20. THIS NOTE IS INTENDED ONLY TO AID THE WORK OF
THE SLT AT THIS MEETING. IT IS NOT INTENDED TO PRE-JUDGE
SLT CONCLUSIONS ON ANY QUESTIONS OR TO FORECLOSE THE

RAISING OF ADDITIONAL QUESTIONS.

A. AGREEMENT TO ENCOURAGE AND SAFEGUARD INVESTMENT IN
THE BULK OF CONVENTIONAL ATERNATIVE SOURCES OF ENERGY
(MINIMUM SAFEGUARD PRICE FOR IMPORTED OIL).

1. MECHANISMS: THE GOVERNING BOARD DECISION SPECIFIED
THAT PARTICIPATING GOVERNMENTS WILL EMPLOY "MEASURES OF
THEIR OWN CHOICE" TO MAINTAIN THE MINIMUM SAFEGUARD PRICE.
THUS, IT IS CLEAR THAT THE OBLIGATION OF OUR GOVERNMENTS
WILL BE WITH REGARD TO THE MAINTENANCE OF THE MINIMUM
PRICE AND NOT TO THE EMPLOYMENT OF ANY GIVEN MEASURES.
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 03 STATE 095180

NEVERTHELESS, IT WAS ALSO AGREED DURING THE GOVERNING
BOARD DISCUSSION THAT THERE WOULD HAVE TO BE ADEQUATE
PROCEDURES TO ENSURE THAT THE ACTUAL MECHANISM ADOPTED
BY ANY ONE GOVERNMENT WOULD IN FACT BE SUFFICIENT TO
MEET ITS COMMITMENT TO THE MINIMUM SAFEGUARD PRICE AND
THAT IT WOULD NOT HAVE SIDE EFFECTS WHICH MIGHT BE
PREJUDICIAL TO THE INTERESTS OF OTHER PARTICIPATING
COUNTRIES.

THEREFORE, ON A TENTATIVE BASIS IT SEEMS ADVISABLE FOR
THE SLT TO CONSIDER THE INCLUSION IN THE AGREEMENT OF A
LIST OF POSSIBLE MECHANISMS FROM WHICH PARTICIPATING
COUNTRIES WOULD BE FREE TO CHOOSE IN MEETING THEIR

COMMITMENT TO THE MINIMUM SAFEGUARD PRICE.

THE SECRETARIAT HAS PREPARED A DETAILED ANALYSIS OF POSSIBLE MECHANISMS, INCLUDING (1) TARIFFS, (2) VARIABLE LEVIES, (3) QR'S, AND (4) STATE TRADING. THE SLT DISCUSSION SHOULD FOCUS ON:

--THE EFFECTIVENESS OF THE VARIOUS MEASURES IN MAINTAINING A MINIMUM SAFEGUARD PRICE;

--COMPATIBILITY WITH GATT AND OTHER INTERNATIONAL OBLIGATIONS.

2. DEFINITIONS:

A) DEFINITION OF TERMS IMPORTED OIL: AS NOTED IN THE SECRETARIAT PAPER ON THIS SUBJECT, IMPORTED OIL COULD BE DEFINED AS:

- (1) OIL PRODUCED OUTSIDE THE PARTICIPATING COUNTRY;
- (2) OIL PRODUCED OUTSIDE THE IEA; OR
- (3) OPEC OIL.

THE SLT SHOULD EVALUATE THESE THREE DEFINITIONS AGAINST THE FOLLOWING CONSIDERATIONS:

--PROBLEMS OF ADMINISTRATIVE ENFORCEMENT;

LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 04 STATE 095180

--CONSISTENCY WITH INTERNATIONAL TRADE OBLIGATIONS;

--PREFERENCE FOR IEA-PRODUCED OIL AND/OR NON-OPEC OIL AS INCENTIVE TO MAXIMUM PRODUCTION

--EFFECTS ON COMPETITION AMONG IEA COUNTRIES.

B) DEFINITION OF TERM "OIL": AS THE SECRETARIAT PAPER ON THIS QUESTION POINTS OUT, THE SLT MUST CONSIDER:

- (1) HOW TO TAKE ACCOUNT OF DIFFERENCES IN TYPE CRUDE OIL (A SPECIFIC SAFEGUARD PRICE FOR EACH TYPE OR ESTABLISHMENT OF "MARKER" CRUDE SYSTEM); AND

- (2) COVERAGE OF PRODUCTS REFINED OUTSIDE THE IEA AREA:

--GATT AND OTHER TRADE POLICY IMPLICATIONS;

--CONVERSION OF PRODUCTS TO CRUDE OIL EQUIVALENT FOR PRICING PURPOSES;

--ORIGIN OF CRUDE FROM WHICH PRODUCTS ARE REFINED
OUTSIDE THE IEA AREA

--PRODUCT REFINED WITHIN THE TRADED WITHIN IEA AREA.

3. - - - LEVEL OF MINIMUM SAFEGUARD PRICE: THE
GOVERNING BOARD DECISION INDICATES THAT THE MINIMUM
SAFEGUARD PRICE SHOULD BE SET AT A LEVEL TO ENCOURAGE
AND SAFEGUARD INVESTMENT IN THE BULK OF CONVENTIONAL
ALTERNATIVE SOURCES. THE AD HOC GROUP IS NOW DEVELOPING
ESTIMATES OF THE VARIOUS AMOUNTS OF ENERGY WHICH WOULD
BE AVAILABLE AT VARIOUS COSTS. IN ADDITION TO
CONSIDERING THE REPORT OF THE AD HOC GROUP, THE SLT
SHOULD EXAMINE:

(A) DENOMINATION OF THE MINIMUM SAFEGUARD PRICE:
AS THE SECRETARIAT PAPER ON THE QUESTION NOTES, THE
MARCH 20 GOVERNING BOARD DECISION INDICATES CLEARLY
THAT THE MINIMUM SAFEGUARD PRICE SHALL BE A LEVEL
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 05 STATE 095180

APPLIED TO DOMESTIC MARKET PRICES. THE ALTERNATIVE
MEANS OF DENOMINATING THIS LEVEL ARE:

- 1) COMMON MINIMUM CIF PRICE; OR
- 2) COMMON MINIMUM FOB PRICE PLUS AVERAGE
TRANSPORTATION , INSURANCE, ETC. COSTS FOR EACH COUNTRY.

THE SLT SHALL MEASURE THESE TWO ALTERNATIVES AGAINST
THE FOLLOWING CRITERIA:

--EFFECTS ON DOMESTIC PRICE LEVELS WITHIN INDIVIDUAL
IEA COUNTRIES;

--DIFFERING DEGREES OF PROTECTION FOR DOMESTIC
INVESTORS; AND

--EFFECTS ON COMPETITIVENESS OF IEA-PRODUCED OIL.

(B) MAINTENANCE OVER TIME OF EFFECTIVE LEVEL
OF PROTECTION: IN ORDER TO BE EFFECTIVE OVER TIME,
THE MINIMUM SAFEGUARD PRICE AGREEMENT WILL HAVE TO
PROVIDE FOR THE POSSIBILITY OF ADJUSTMENT IN THE
LEVEL TO TAKE ACCOUNT OF INCREASES IN THE COSTS OF
PRODUCTION OF IEA ALTERNATIVE ENERGY. THE SECRETARIAT
PAPER SETS OUT THREE ALTERNATIVE APPROACHES TO THIS
PROBLEM:

- 1) AUTOMATIC ADAPTATION EX ANTE;

2) AUTOMATIC ADAPTATION EX POST;

3) AGREED PROCESS FOR PERIODIC REVIEW.

ALL OF THESE HAVE IMPORTANT IMPLICATIONS FOR GENERAL ECONOMIC POLICY, THE EFFECTIVENESS OF THE COMMON SAFEGUARD AGREEMENT AS AN INCENTIVE TO INVESTMENT, AND THE POSITION OF THE INDUSTRIALIZED COUNTRIES ON OTHER COMMODITY TRADE QUESTIONS.

4. DURATION OF MINIMUM SAFEGUARD PRICE: THIS QUESTION IS OF MAJOR RELEVANCE TO THE EFFECTIVENESS OF THE AGREEMENT AS AN INCENTIVE TO INVESTMENT, LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 06 STATE 095180

PARTICULARLY IN VIEW OF THE LONG LEAD TIMES ASSOCIATED WITH THE DEVELOPMENT OF MANY ALTERNATIVE SOURCES. THE SLT SHOULD CONSIDER WHETHER IEA OBJECTIVES WOULD BE ADEQUATELY SERVED BY AN ARRANGEMENT ON A MINIMUM SAFEGUARD PRICE WHICH IS OF THE SAME DURATION AS THE IEP ITSELF, OR WHETHER THE ARRANGEMENT SHOULD EXTEND BEYOND THE 10 YEAR BASIC PERIOD OF THE IEP.

B. FRAMEWORK OF COOPERATION IN PROVIDING SPECIFIC MEASURES OF ASSISTANCE ON A PROJECT-BY-PROJECT BASIS.

THE DANISH, TURKISH, AND US DELEGATIONS AGREED AT THE LAST MEETING TO PROVIDE WORKING PAPERS ELABORATING FURTHER THE RESPECTIVE MODELS THEY HAD PROPOSED AS VEHICLES OF COOPERATION IN THIS AREA. THE TURKISH PAPER HAS BEEN TRANSMITTED TO DELEGATIONS. THE US PAPER WILL BE AVAILABLE IN PARIS DURING THE APRIL 28 AND 30 SLT MEETING, AND IT IS ASSUMED THAT THE DANISH PAPER WILL ALSO BE AVAILABLE AT THAT TIME.

EARLIER DISCUSSIONS OF THESE MODELS HAVE INDICATED A GENERAL ACCEPTABILITY OF THE CONSERVATION PROPOSAL ADVANCED BY THE US UNDER WHICH TWO OR MORE IEA COUNTRIES WOULD JOIN IN SPECIFIC PROJECTS FOR THE DEVELOPMENT OF NEW ENERGY SUPPLIES UNDER AN UMBRELLA OF PREVIOUSLY AGREED GUIDING PRINCIPLES. HOWEVER, SOME DELEGATIONS HAVE STATED THAT THE CONSORTIUM MODEL MAY NOT, BY ITSELF, BE SUFFICIENT FOR IEA PROJECT BY PROJECT COOPERATION.

THE OTHER TWO PROPOSALS UNDER CONSIDERATION (DANISH INVESTMENT INSURANCE MODEL AND TURKISH JOINT ENERGY INVESTMENT GROUP) WOULD (1) TEND TO INVOLVE IN AN ACTIVE FASHION ALL IEA COUNTRIES, REGARDLESS OF THEIR INTEREST IN A PARTICULAR PROJECT; AND (2) CREATE AN IEA-CENTERED ORGANIZATIONAL STRUCTURE WHICH WOULD BECOME A DIRECT PARTICIPANT IN THE DEVELOPMENT PROCESS.

AMONG THE MAJOR ISSUES TO BE ADDRESSED BY THE SLT IN
ELABORATING THIS ELEMENT OF THE GOVERNING BOARD DECISION
ARE:

LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 07 STATE 095180

--THE ACTUAL NATURE OF THE FINANCIAL AND OTHER
COMMITMENTS IEA GOVERNMENTS WOULD BE REQUIRED TO ASSUME;

--THE EXTENT TO WHICH THE MAGNITUDE OF FINANCIAL
OBLIGATIONS CAN BE PREDICTED IN ADVANCE;

--THE POTENTIAL IMPORTANCE OF COOPERATION IN THIS AREA
IN TERMS OF THE OVERALL IEA ENTERPRISE AND THE DEVELOP-
MENT OF ALTERNATIVE SOURCES.

THE AD HOC GROUP HAS MADE ONLY LIMITED PROGRESS THUS
FAR IN ITS FACT FINDING EFFORT TO IDENTIFY ACTUAL
PROJECTS FOR COOPERATION IN THIS AREA. SOME ESTIMATE
OF THE POSSIBLE NUMBER OF SUCH PROJECTS, COSTS AND
POTENTIAL LEVELS OF PRODUCTION, ETC. WOULD GREATLY AID
THE SLT'S WORK, AND WE MUST FOCUS ON POSSIBLE WAYS TO
DEVELOP SUCH INFORMATION.

C. COOPERATION IN ENERGY RESEARCH AND DEVELOPMENT:
SINCE THE NEXT MEETING OF THE R AND D SUB-GROUP IS NOT
SCHEDULED UNTIL EARLY MAY, IT DOES NOT APPEAR THAT IT
WOULD BE USEFUL TO SPEND TIME ON THIS SUBJECT AT THIS
MEETING OF THE SLT. HOWEVER, WE WILL HAVE TO REVIEW
THE WORK OF THE SUB-GROUP AT OUR NEXT MEETING IN MID-MAY.

D. REVIEW OF NATIONAL PROGRAMS: THE AD HOC GROUP
HAS MADE FURTHER PROGRESS IN THE ELABORATION OF CRI-
TERIA AND PROCEDURES FOR NATIONAL REVIEW IN ITS MEETING
OF APRIL 21-23. THE SLT SHOULD REVIEW THE WORK OF THE
AD HOC GROUP TO DETERMINE WHAT, IF ANY, ADDITIONAL
WORK IS NEEDED.

E. PROCEDURES AND UNDERTAKINGS TO ENSURE THAT THE
OVERALL COOPERATIVE PROGRAM ADEQUATELY MEETS THE CRITER-
IA AND OBJECTIVES SET FORTH IN PARAGRAPH 3 OF THE
MARCH 20 GOVERNING BOARD DECISION: THE SLT SHOULD KEEP
IN MIND THE NEED TO SATISFY THESE CRITERIA AND OBJEC-
TIVES IN THE ELABORATION OF THE OVERALL COOPERATIVE
PROGRAM. SEVERAL OF THE ISSUES TO BE ADDRESSED IN
CONNECTION WITH THE MINIMUM SAFEGUARD PRICE ARE OF
PARTICULAR RELEVANCE IN THIS CONNECTION, AS ARE THE
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 08 STATE 095180

PROPOSED MODELS FOR A FRAMEWORK OF PROJECT BY PROJECT
COOPERATION AND THE REVIEW OF NATIONAL PROGRAMS.
KISSINGER

LIMITED OFFICIAL USE

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ENERGY, COMMITTEES, INTERGOVERNMENTAL COOPERATION
Control Number: n/a
Copy: SINGLE
Draft Date: 24 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE095180
Document Source: ADS
Document Unique ID: 00
Drafter: EB:ORF:FSE:SWBOSWORTH:LER
Enclosure: n/a
Executive Order: 11652 SUBJECT= n/a
Errors: n/a
Film Number: D750144-1031
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197504103/baaaahxl.tel
Line Count: 331
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2003 by BoyleJA>; APPROVED <21 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: data_error
TAGS: ENRG
To: OECD PARIS
BONN
ROME
BERN
STOCKHOLM
COPENHAGEN

DUBLIN
LUXEMBOURG
LONDON
THE HAGUE
BRUSSELS
OTTAWA
TOKYO
VIENNA
MADRID
ANKARA
WELLINGTON
OSLO

Type: TE

Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006